

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
REPORT ON CONTRACT COMPLIANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

**EXECUTIVE SUMMARY**

We had no significant findings to report for the fiscal years ended June 30, 2002 and 2001 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

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March 18, 2003

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall – 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Riverwood Mental Health Services for the fiscal years ended June 30, 2002 and 2001.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Riverwood Mental Health Services for their cooperation and courtesies extended to us during the course of this engagement.

Sincerely,

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

**SCOPE AND PURPOSE**

The purpose of this examination was to determine compliance with your department's terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

**BACKGROUND**

Riverwood Mental Health Services (formerly: Riverwood Rehabilitation Services, Inc.) located at 25 Railroad Avenue, Warren, Rhode Island, is a non-profit corporation established under the State's General Laws and is governed by a Board of Directors of not less than 7 and not more than 25 members elected annually. The Provider, incorporated in 1982, provides residential and rehabilitation programs to mentally disabled adults in the State of Rhode Island. These programs, funded through the R.I. Department of Mental Health, Retardation and Hospitals are summarized below:

**Residential Program**

During the period audited, the Provider operated three group Homes and two apartment buildings to serve mentally disabled adults aged eighteen and over in the Newport County and East Bay areas.

The locations of the group homes and apartments are as follows:

<u>Group Homes</u>	<u>Established</u>	<u>Licensed Capacity</u>
Portsmouth House 173 Locust Avenue Portsmouth, R.I.	1983	8
Barrington House 94 County Street Barrington, R.I.	1983	9
Tiverton House 2698 Main Road Tiverton, R.I.	1984	9
5&7 Long Wharf Street (Apt.) Warren, R.I.		
1&3 Buttonwoods Street (Apt.) Bristol, R.I.		

### Mobile Treatment Team

This program provides community support services to clients in the State of Rhode Island. Its administrative offices are located at 25 Railroad Avenue, Warren, Rhode Island.



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Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall – 2  
600 New London Avenue  
Cranston, R.I. 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Riverwood Mental Health Services (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Healthcare Service's financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2002 and 2001, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within MHRH's Community Support and Related Services Contracts for the fiscal years ended June 30, 2002 and 2001.

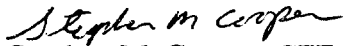
We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.



Ms. A. Kathryn Power, Director  
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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
November 8, 2002

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 RIVERWOOD MENTAL HEALTH SERVICES  
 STATEMENT OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDED JUNE 30, 2002

	Community Support, Residential, and Acute Alternatives
<u>Revenues</u>	
MHRH	\$ -
Title XIX Medicaid	1,998,128
Grants	55,134
Donations (net)	7,667
Client Fees	167,692
Investment Income	6,148
Miscellaneous	<u>2,118</u>
Total Revenues	\$ <u>2,236,887</u>
<u>Expenses</u>	
Personnel	1,904,716
Operating	359,494
Purchased Equipment	<u>12,089</u>
Total Expenses	\$ <u>2,276,299</u>
Excess (Deficiency) of Revenues Over Expenses	\$ <u><u>(39,412)</u></u>

See accompanying notes to financial information.

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EXHIBIT B

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 2001

	<u>Community Support, Residential, and Acute Alternatives</u>
<u>Revenues</u>	
MHRH (See Note 2)	\$ 196,250
Title XIX Medicaid	1,624,742
Grants and Contracts	16,049
Donations (net)	6,999
Client Fees	157,300
Investment Income	18,198
Miscellaneous	<u>41,203</u>
Total Revenues	\$ <u>2,060,741</u>
<u>Expenses</u>	
Personnel	1,690,213
Operating	370,223
Purchased Equipment	<u>6,499</u>
Total Expenses	\$ <u>2,066,935</u>
Excess (Deficiency) of Revenues Over Expenses	\$ <u><u>(6,194)</u></u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARTION AND HOSPITALS  
 RIVERWOOD MENTAL HEALTH SERVICES  
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
 FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	Fiscal Year Ended June 30	
	2002	2001
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>1,998,128</u>	<u>1,624,742</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	<u>1,998,128</u>	<u>1,624,742</u>
 <u>Ending Balance</u>	 \$ -	 -

See accompanying notes to financial information.

:SP-50c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

**NOTES TO FINANCIAL INFORMATION**

**Note 1 – Significant Accounting Policies**

**Basis of Accounting:**

The financial information is presented on the accrual basis of accounting, which complies with the financial terms and conditions contained within the Community Support and Related Services contracts for the fiscal years ended June 30, 2002 and 2001. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

**Note 2 –Revenues- MHRH**

Excess funds remaining at the completion of each contract are subject to being returned to the State of Rhode Island. In the fiscal year ended June 30, 2001 MHRH reprogrammed \$196,250 of the \$281,609 returnable to the state and applied it to the contract for the fiscal year ended June 30, 2001.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
RIVERWOOD MENTAL HEALTH SERVICES  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

**CURRENT YEARS FINDINGS AND RECOMMENDATIONS**

**Net Operations**

Net operating results for the Provider's programs for the fiscal years ended June 30, 2002 and 2001 (Exhibits A and B) are summarized below:

<u>Program</u>	<u>2002</u>	<u>2001</u>
Community Support, Residential, and Acute Alternatives	<u>\$ (39,412)</u>	<u>\$ (6,194)</u>

**Revenue Deficiencies**

It is our understanding that each contract stands on its own and that any expenses of the contracted amounts will be absorbed by the Provider.

During the period reviewed the following MHRH – Division of Behavioral Healthcare Service's contracts had a deficiency

2002 - Community Support and Related Services \$ (39,412)

2001 - Community Support and Related Services \$ (6,194)